

MEMORANDUM

PREPARED BY THE

TREASURY

RESPECTING

TITHE RENTCHARGE IN IRELAND.

Treasury Chambers,
19th August, 1895. }

R. W. HANBURY.

Presented to Parliament by Command of Her Majesty.



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1895.

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The First Lord calls the attention of the Board to an undertaking which he gave to Lord Belmore in the course of the last session of Parliament to lay on the table a memorandum supplying certain information with respect to tithe rentcharge in Ireland.

In June 1894 Lord Belmore asked in the House of Lords whether, owing to an alteration made while the Irish Church Act of 1869 was in Committee, a miscalculation was made of the term of years in which the annuities representing the tithe rentcharge will have repaid the principal sums commuted with interest.

He was informed, in reply, that there was no miscalculation as to the term of years, because no rate of interest is prescribed in the Act, and there can consequently be no calculation. The provisions of the Act were precise, viz., an annual payment for 52 years of 4*l.* 9*s.* for each 100*l.* of the capital value of the rentcharge to be redeemed. The tithepayer is thus enabled to get rid of his liability by paying for 52 years the same sum as he was previously liable to pay in perpetuity.

In July 1894 Lord Belmore moved for a return giving answers to the following questions:—

1. When the tithe rentcharge is capitalized at 22½ years' purchase, what annuity and what term of years would be necessary to repay each 100*l.* of capital if the rate of interest charged were respectively 3 per cent. and 3½ per cent.?
2. If the rate of interest were respectively 3 per cent. and 3½ per cent., what capital sum would have been received by the Treasury at the end of 52 years in respect of 100*l.* made repayable by an annuity of 4*l.* 9*s.* during that term?
3. What rate of interest accrues to, or is obtained by, the Treasury on an annuity of 4*l.* 9*s.* per cent. payable during 52 years?
4. Why did the Treasury in 1869 recommend the Government of the day to alter the terms from an annuity of 4*l.* 10*s.*, including interest at 3½ per cent. for 45 years, to an annuity of 4*l.* 9*s.* per cent. for 52 years?
5. On what grounds have the Treasury declined to act upon the recommendation of the Irish Land Commissioners, that tithe rentcharge vested in the Irish Land Commission should in future be made redeemable at 20 instead of 22½ years' purchase under the provisions of section 15 of the Land Law (Ireland) Act, 1887?

It was explained to Lord Belmore that the information could not be given in the form in which he asked for it, but that an endeavour would be made to supply such information as the Treasury possessed in some other form.

Owing to a misunderstanding between Lord Belmore and the representatives of the Government, no further action was taken in the Session of 1894; but the question was revived in March, 1895, and an undertaking was given on behalf of the Government that an explanatory memorandum on the subject should be prepared for presentation to Parliament.

Before proceeding to explain the matter under discussion, so far as it lies within the knowledge and province of the Treasury, the First Lord must advert to a fundamental misconception disclosed by the terms of Lord Belmore's proposed return. It is evident from the references to the Treasury in paragraphs 2 and 3, that his Lordship and others are under the impression that this matter is one affecting the Exchequer, or, in other

words, the taxpayers of the United Kingdom. As a matter of fact, the fund affected is the Irish Church Fund, a purely Irish institution; and, further, the practical effect of a reduction in the resources of that fund below the amount required to meet its liabilities would be that the latest charge of 1,500,000*l.* on the fund in favour of the Congested District Board, created by the Purchase of Land (Ireland) Act of 1891, would be prejudicially affected.

Certain of the charges on the fund enjoy the guarantee of the Consolidated Fund, and the taxpayer has so far a direct interest in the solvency of the fund; but those amount to less than half the total liabilities, and are rapidly diminishing under the operation of sinking funds.

It may also be convenient at this point to notice the reference to the Treasury in No. 4 of the proposed return in order to state that no records exist in this department respecting the Church Acts of 1869 and 1872, and the present Board, therefore, has no means of throwing light on the intentions of those Acts other than those possessed by the general public.

The reference to the Treasury in No. 5 relates to duties imposed on the Board by statute, and therefore stands on a different footing.

The present state of the law on the subject is as follows:—

By the Irish Church Act of 1869 (32 & 33 Vict. c. 42. s. 12) all the tithe rent-charge in Ireland became vested in the Church Temporalities Commissioners, who have since become the Irish Land Commission.

The Irish Church (Amendment) Act of 1872 (35 & 36 Vict. c. 90. s. 7) provides two methods through which tithe rentcharge can be redeemed by the owner of the land charged therewith:—

1. By a cash payment equal to $22\frac{1}{2}$ times the amount of such rentcharge, after deducting from the latter the average sum in the pound paid for poor rates during the five years before 1869.
2. By an annuity for 52 years calculated at the rate of 4*l.* 9*s.* per cent. on the purchase money, as above arrived at.

By the Land Law (Ireland) Act, 1887 (50 & 51 Vict. c. 33. s. 15), the Land Commission may, with the consent of the Treasury, in the case of land sold under the Land Purchase Acts, redeem the tithe rent-charge at a price to be fixed by them, *i.e.*, at less than $22\frac{1}{2}$ years' purchase.

It will be seen that Lord Belmore's questions refer to two statutes which have no necessary connexion with each other, *viz.*, the Act of 1872 dealing with the voluntary redemption of tithe rentcharge, and that of 1887 dealing with its compulsory redemption in consequence of sales under the Purchase Acts. His questions 1, 2, 3, 4 relate to the former, and No. 5 to the latter. The First Lord proceeds to treat these two subjects separately.

1.—*Voluntary Redemption of Tithe Rentcharge.*

Any person liable for perpetual rentcharge can redeem it by payment of $22\frac{1}{2}$ times its net annual amount. If he is not able to produce the necessary capital, he has the option of redeeming the perpetual charge by a payment of about the same annual sum for 52 years, this being the practical effect of the terms "an annuity of 4*l.* 9*s.* per cent. upon $22\frac{1}{2}$ years' purchase of the net rentcharge."

Lord Belmore desires to know, in effect, what rate of interest is implied in this arrangement, assuming the capitalisation to be effected at $22\frac{1}{2}$ years' purchase. The answer is 3*l.* 16*s.* 8*d.* per cent. per annum, or say 3*l.* $\frac{1}{2}$ *s.* This then is the rate of interest at which landowners may borrow, if they so desire, from the Church Fund for the purpose of redeeming a perpetual charge on their estates.

It is optional on their part to redeem at all, and, if they do redeem, it is optional to pay out of cash in hand, or out of money borrowed from the Church Fund, or out of money borrowed elsewhere. The option of redemption has been exercised to the extent of about one-half of the total tithe rentcharge transferred to the Church Fund.

Lord Belmore further desires to know what would have been the annuity charged on other terms as to rate of interest and period of redemption, and in particular he refers to the proposed annuity of 4*l.* 10*s.* per cent. for 45 years contained in the Church Bill of 1869 as introduced. (This annuity, however, was calculated on a capitalization of the gross amount of tithe rentcharge, without any allowance for poor rate.)

The following specimen cases of different periods and rates of interest will probably serve for practical purposes as an answer to this question:—

- (a.) An annuity of 4*l.* 10*s.* will pay off a loan of 100*l.* in 45 years with interest at 3*l.* 11*s.* 6*d.* per cent.
- (b.) The annuity which would pay off a loan of 100*l.* in 52 years with interest at 3½ per cent. is 4*l.* 4*s.* 5*d.*
- (c.) The annuity which would pay off a loan of 100*l.* in 52 years with interest at 3 per cent. is 3*l.* 16*s.* 5*d.*
- (d.) The annuity which would pay off a loan of 100*l.* in 45 years with interest at 3½ per cent. is 4*l.* 8*s.* 10*d.*
- (e.) The annuity which would pay off a loan of 100*l.* in 45 years with interest at 3 per cent. is 4*l.* 1*s.* 7*d.*

Assuming the view of those who speak on behalf of the tithe payers to be that the annuity ought to have been limited to 45 years, the First Lord observes that such a concession would involve a loss to the Church Fund amounting in present value to over 300,000*l.* in respect of existing tithe annuities alone, while about an equal sum would be lost by a similar treatment of the tithe rentcharge still unconverted, apart from any concessions which might be demanded from other branches of the Church revenue.

2.—*Compulsory Redemption of Tithe Rentcharge in sales under the Purchase Acts.*

The Land Commissioners have recommended that in such cases the terms of redemption of the perpetual tithe should be reduced from 22½ years' purchase, the rate prescribed by the Acts of 1869 and 1872, to 20 years' purchase, but the Treasury have not felt justified in concurring in this proposal. The primary reason which led this Board and their predecessors to that conclusion was the very serious loss which this proposal, and the consequences which might be apprehended from it, would inflict on the Church Fund. The possible amount of that loss was estimated by the Land Commission in 1888 at 845,000*l.*, supposing the concession limited to the tithe only, without application to other portions of the Church property; and it may be taken as certain that no such amount could now be surrendered without serious risk to the solvency of the Church Fund. Other considerations, however, affecting the proposal on its merits cannot be overlooked; two of which the First Lord may place on record:—

- (1.) It is in effect a compulsory reduction of the (statutory) value of one particular charge on the land, namely that held in trust for Irish public purposes, unaccompanied by any suggestion of reduction in other and less well-secured charges such as mortgages. Measuring the security of a charge by the rate of interest which it carries, this proposal would treat the tithe as a 5 per cent. charge, and, therefore, as being no better secured than mortgages carrying 5 per cent. interest, and worse secured than those carrying 4½ per cent. As all such mortgages are posterior to tithe, the First Lord thinks that the statutory price of 22½ years purchase, implying interest at 4½ per cent. is not illiberal to the tithe payer in view of the ordinary rates of interest on mortgages on Irish land.
- (2.) This proposal to treat the tithe as no better secured than a 5 per cent. charge is in striking contrast to the suggestion that loans from the Church Fund on precisely the same security should be made at a rate not exceeding 3½ or even 3 per cent., which rates involve a high estimate of the security. It would be extremely illogical, apart from other objections, to apply simultaneously both those methods of relieving the tithe-payer at the cost of the Church Fund.

In conclusion, the First Lord desires to remark that he has endeavoured in this memorandum to distinguish between the matters for which the Board is, and those for which it is not, responsible. In the case of the former, it is their Lordships' duty to defend their own decisions; but as to the latter, it is only necessary to state facts and figures for the consideration of the Legislature.

My Lords concur.

Treasury Chambers, }
Whitehall.

27th June 1896.